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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 000819

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SUBJECT: TURKMENISTAN: CURRENT STATE OF RELATIONS WITH
RUSSIA

Classified By: CDA RICHARD E. HOAGLAND: 1.4 (b), (d).

11. (C) SUMMARY: Since President Gurbanguly Berdimuhamedov took office in February 2007, Turkmenistan's relations with Russia have been gradually expanding, especially the economic relationship. However, contrary to Russian press reports, the degree to which the Turkmen government has been entering into tangible, formal business and cooperative agreements with the Russian government and Russian businesses suggests that the Turkmen president prefers that Russian interests develop only modestly here, in an effort to evenly balance this relationship along with other important bilateral partnerships. His government has resisted renewed Russian efforts to establish stronger ties with Turkmenistan in the post-Niyazov era. Russian President Medvedev's upcoming July 4-5 high-profile visit to Ashgabat and planned meeting with the Turkmen and Kazakh presidents may be an all-out effort to bring closure to some nagging issues, while also attempting to boost the bilateral relationship. END SUMMARY.

BILATERAL RELATIONSHIP, ESPECIALLY ECONOMIC, PROGRESSING

12. (C) The bilateral relationship between Turkmenistan and Russia has normalized in the last year and a half, on a diplomatic as well as on an economic level -- at least relative to what it was during the Niyazov era. President Berdimuhamedov traveled to Moscow more than once and met with Presidents Putin and Medvedev, and has spoken to them by phone several times. He attended President Medvedev's inauguration on May 7 and has attended all CIS summits. During the June 6 CIS Summit in St. Petersburg, Turkmenistan's president spoke favorably both of the "strategically important" bilateral relationship, and of the forum, although he also reiterated his country's role there as a neutral "associate" member. He also promoted Ashgabat as the location of a future CIS-sponsored agricultural conference and exhibition. In the realm of education, Russia has sponsored some 120 Turkmen military personnel to study at relevant Russian military academies and institutes, and 75 students to attend oil and gas institutes in the Russian Federation. Negotiations have been underway over the past year to expand those numbers, open a branch of Moscow State University, and open a branch of the Gubkin Oil and Gas Institute.

13. (C) Russian companies are having more success breaking into Turkmenistan's market than in the past, winning government contracts to operate in industries such as oil and gas development, metallurgy, shipbuilding, telecommunications, construction, and heavy vehicles. Russian firms also make a modest contribution to Turkmenistan's food supply. On June 24, Russian press reported that the Russian arms producer Motovilikhinskiye Zavody signed a deal with the Turkmen government for six BM-30 "Smerch" multiple rocket launchers, and called it the first arms deal the Turkmen government had signed in a decade. Russian authorities may also be encouraging links between the Russian Federation Republic of Tatarstan and Turkmenistan, based on the two regions' common Muslim roots and common domestic goals for oil and gas development and diversification. Berdimuhamedov ended a visit to Tatarstan on June 29, during which he met with the region's president, Mintimer Shaymiyev, and they discussed opening diplomatic missions in their respective capitals, expanding the number of Turkmen students currently studying at oil and gas institutes there, cooperation in developing Turkmenistan's petrochemical industry, and Tatarstan's investment in Berdimuhamedov's pet project, the Avaza National Tourist Zone.

BUT NOT MUTUALLY EXCLUSIVE (OR SPECIAL)

14. (C) The pace of the two countries' economic cooperation, however, has not outdone that of other major bilateral

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partners such as Turkey, China, and Iran, whose energy and other business interests in Turkmenistan have also been expanding at a healthy rate. Russian energy conglomerate Gazprom, as well, seems to have only modest leverage with Berdimuhamedov's government, in spite of its longstanding role as the buyer and transporter of some 90 percent of Turkmenistan's exported natural gas. During the most recent meetings, Gazprom officials also reportedly proposed expanding the company's work into oil and gas development, but Post has heard from a variety of gas and oil contacts that the government is shying away from Russian commercial participation in hydrocarbon production. In May 2008, seeking to settle outstanding questions about the company's purchase of Turkmen gas, Gazprom CEO Alexei Miller failed to obtain a meeting with Berdimuhamedov, meeting instead with Deputy Prime Minister for Oil and Gas Tachberdi Tagiyev and Deputy Prime Minister/Foreign Minister Rashid Meredov. Miller has visited Turkmenistan at least twice (and reportedly returned again on July 2), and his deputy Golubev once, since Gazprom signed an agreement with Turkmen officials in December 2007, when the company promised to pay the "European market price" for their natural gas. However, there is still no agreement with the Turkmen on the exact long-term gas export pricing formula that Gazprom must implement on January 1, 2009.

15. (C) In 2007, Turkmenistan signed on as a partner to the Russian plan to re-build the Caspian littoral pipeline, and the government has also continued to negotiate its commitments to it as well as to the refurbishment of its portion of the antiquated Central Asia Center pipeline system that currently funnels Turkmen and other Central Asian gas into Russia for further export. Although Berdimuhamedov has publicly supported the effort, little measurable progress has been announced since the plan was first proposed in 2007 in settling disagreements about each country's financial and technical commitments to the project.

SIGNS OF RUSSIAN FRUSTRATION WITH TURKMENISTAN

16. (C) When the Medvedev visit was announced, the Charge congratulated Russian Ambassador Igor Blatov and asked how the relationship was progressing. Never the most forthcoming interlocutor, Blatov shrugged and said, "Could be better."

Russian First Secretary Alexander Akulenko told Poloff on June 27 that press reports have presented the relationship as more trusting and advanced than is the current reality. The Russian educational partnership is one example, given that opening a branch of Moscow State University "is no longer under discussion", and talks regarding a possible branch of the oil and gas institute "are continuing slowly." When asked about Turkmenistan's reported purchase of six multiple rocket launchers, he indicated that the report was premature, due to the fact that Russia and Turkmenistan have no agreement on inter-governmental bank transactions. According to Russian law, he said, such a deal could not be completed without the establishment of a formal financial transaction system between the states. The Russian government has been trying to hold such discussions with Turkmen authorities for some time.

HOPES IN MEDVEDEV'S FRESH PERSPECTIVE

17. (C) Akulenko said that the main purpose of Medvedev's official visit to Ashgabat on July 4 is to begin building a "personal relationship" between the two presidents, since they had only met once before -- at the recent CIS summit in St. Petersburg -- and there is a deep desire to develop the bilateral relationship further. He said that contrary to early press reports, Medvedev and Berdimuhamedov would not be holding additional meetings on July 5 in Turkmenbashi, due to both presidents' tight schedules. Medvedev, would, however, meet with several deputy chairmen of the Cabinet of Ministers after the presidential meeting, and the priority topics would

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be oil and gas, education and culture. This will parallel the ongoing effort to advance bilateral economic cooperation.

The two countries' intergovernmental commission on economic cooperation met only once in 2007, and plans to meet at the end of 2008 in Moscow. In December 2007, the Russians hosted a Russian-Turkmen Economic Forum with the mission of building bilateral business connections, including with the chambers of commerce of 17 regions of the Russian Federation. Another Economic Forum was held in Ashgabat the week of June 23, indicating those efforts continue.

RUSSIAN SCHOOL MOST VISIBLE SYMBOL OF INFLUENCE

18. (C) The Russian School in Ashgabat is probably the most visible, significant vehicle of Russian influence in Turkmenistan at present. Although tuition-based, it operates under the auspices of the Russian embassy. There is fierce competition in Ashgabat to send one's children to this institution, because graduation virtually guarantees acceptance to a Russian university, and the quality of education far exceeds that of Turkmen public schools. Akulenko indicated that the school, which enrolled some 400 Russian-speaking students in the past, will be moving into new facilities before the Fall 2008 school year starts in September. The school will soon occupy three blocks on Ashgabat's south side, and will include enlarged, modernized teaching premises, a sports facility, a museum, and a nine-story building that will have educational administration and other offices. Enrollment will then be expanded to 800 students.

19. (C) COMMENT: Russian and Turkmen press coverage appears to be overstating the depth and breadth of the bilateral relationship, and has provided international observers with a shallow veneer that suggests the partnership is becoming more than it is. It seems, however, that the Turkmen want to promote an international image of their connections with Russia as part of their balanced, neutral approach to foreign relationships, and will likely advance this particular relationship to fit an image of their own making. END COMMENT.
HOAGLAND